

BEFORE THE
OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

IN THE MATTER OF:

Case No. 1638

TRANSCRIPT OF HEARING

APRIL 16, 1959

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BEFORE THE
OIL CONSERVATION COMMISSION
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IN THE MATTER OF:

Case 1638 In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the establishment of a procedure whereby amendments to unit agreements may be approved administratively.

Hobbs Auditorium
Hobbs, New Mexico
April 16, 1959

BEFORE:

A. L. Porter, Jr.
Murray Morgan
E. S. Walker

TRANSCRIPT OF HEARING

MR. PORTER: We'll proceed to Case 1638.

MR. PAYNE: Case 1638, "In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the establishment of a procedure whereby amendments to unit agreements may be approved administratively."

We have one witness, Mr. Dan Nutter.

(Witness sworn in.)

DANIEL S. NUTTER

called as a witness, having first been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. PAYNE:

Q Will the witness please state his name and position?

A Daniel S. Nutter, Chief Engineer for the Oil Conservation Commission.

Q Mr. Nutter, what is the nature of the application in Case 1638?

A This is an application on the motion of the Commission itself to provide for an administrative procedure for approving amendments to unit agreements which have been approved by the Commission.

Q What is the reason or the necessity for the establishment of the administrative procedure?

A While in the past there have been very few amendments to unit agreements brought before the Commission and heard by the Commission for approval, we anticipate that in the future there's going to be considerable amendments to unit agreements in Northwest New Mexico. It is going to present a burden to the Commission to have to set all of these unit agreements that we anticipate changes in the contracts themselves for hearing, and for this reason, we would like to see an administrative procedure set up.

Q Now, to the best of your knowledge, do most unit agreements have any stipulation in them providing for amendments?

A A few of them do, but most of them are silent on that subject.

Q Would you recommend then that the Commission not

approve administratively and amend the unit agreement unless all parties to the original unit agreement had consented to the amendment?

A If the unit agreement provides machinery for the approval of a change or an amendment to that unit agreement without 100 per cent of the interested parties signing the amendment, I think that it would be possible for the Commission to approve a change in that manner; however, if the unit agreement is silent on the subject, I think that all parties to the unit agreement should approve and ratify any amendment to that contract.

Q All right, sir. Now, do you propose that this should be a discretionary thing for the Commission?

A It certainly should be discretionary. It should also be provided that if anyone objects to the amendment, that it be set for hearing and provide an opportunity for that person to voice his objections.

Q Do you have anything further you would like to explain to the Commission in this case?

A No, I think not.

MR. PAYNE: That concludes our case, Mr. Commissioner.

MR. PORTER: Does anyone have a question of the witness concerning the proposed procedure that he has just outlined?

The witness may be excused.

(Witness excused.)

MR. PORTER: Anyone have any comments or any statements to make?

MR. PAYNE: Mr. Commissioner, I have a statement from El Paso Natural Gas Company that I would like to read into the record.

MR. PORTER: Proceed.

MR. PAYNE: "El Paso Natural Gas Company urges the Commission to adopt the proposal to establish administrative procedure for approving amendments to unit agreements. After a unit agreement has been approved by the necessary governmental officials and has become effective, it can be amended only by agreement of all, or such majority as the agreement itself prescribes, of the parties to the unit agreement. Persons who have not become parties will have no legitimate interest in the amendment. Those who have interests will have reached an agreement prior to making application for Commission approval.

Under these circumstances, there will be no necessity for notice to parties without interest and for hearing. The proposed rules require the applicant to furnish proof of notice to interested parties. The unit agreement itself will either provide the requirements for amendment, or, lacking provisions for amendment, all parties must consent. By an administrative review, the Commission can assure itself that no law, rule or policy is violated. In order to avoid unnecessary and useless hearings, the proposed rules should be adopted."

